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Tuesday, November 19, 2002

Farmers, quota holders split \$134.3 million

By David Goetz

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The Courier-Journal

Kentucky's tobacco farmers and tobacco quota holders will divide \$134.3 million this year, the state's 2002 share of the national tobacco settlement.

The Kentucky Tobacco Settlement Trust Corp. will mail out more than 158,000 checks on Dec. 30. An average payment would be \$850, but actual payments will depend on quota holdings and the average amount of tobacco raised and marketed in three base years -- 1998, 1999 and 2000.

The Settlement Trust worked out the complicated formula last year to make the system more fair to farmers who don't hold quotas.

The payout averaged \$109 million the first three years. The higher payment this year follows the schedule laid out when the major tobacco companies agreed to pay the states \$5.15 billion for the costs of tobacco-related illnesses.

Kentucky decided to distribute its share among tobacco farmers and quota holders. The state's share last year was \$121 million.

A third of the payment will go to quota holders, the people or companies assigned the right to grow tobacco by the U.S. Department of Agriculture. It's distributed according to their quota holding in 2001.

About half of Kentucky's 45,000 burley farmers own tobacco quotas and either grow it themselves or have it grown by tenant farmers. There are also farmers who lease quota from a holder, then grow the tobacco on their own land.

Another third goes to the growing farm -- the person or company that controls the land used to produce the burley and shares in the risk of production. The division is based on average production for the three base years.

The rest is distributed to those who produce the labor, such as tenant farmers who actually work a tobacco base for a share of the profits. The share is also based on the production

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Howard Hamilton, left, and his brother, Leon, listened to prices offered yesterday at the Gentry Tobacco Warehouse in Lexington. The Georgetown brothers brought 13,000 pounds of tobacco.

PHOTO BY STEWART BOWMAN

average.

A farmer who holds the quota, grows burley on land he or she controls and supplies the labor would get all three shares.

In the first two years of settlement payments, the trust doled out the money according to who owned and grew what the year before. But it became obvious that the money was flowing in the direction of quota holders, who were able to charge more for tobacco leases because settlement money was coming to the growers.

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